Statement

Insurance Association of Connecticut

Insurance and Real Estate Committee

February 1, 2011

HB 6233, An Act Requiring Notice to An Insured For Repair Or Remediation Following A Covered Loss Under A Personal Or Commercial Policy

The Insurance Association of Connecticut, IAC, is opposed to HB 6233, as it would require that an insured, who has suffered a property loss, sign off on any repair order and become legally obligated to pay it.

The IAC supports the concept contained in HB 6233 of protecting an insured's interest by holding a vendor accountable. HB 6233, however would have unintended consequences to the consumer that negate any benefit HB 6233 might contain. Requiring an insured's signature on a repair order could result in unnecessary delay. For example, a vacationing homeowner suffers a loss while away. Although the homeowner could have the repair work started right away, HB 6233 would preclude that from happening. Delay in commencing remediation work may result in further damage and costs. Insureds are contractually obligated to mitigate damages, yet HB 6233 could prevent an insured from fulfilling that contractual obligation. HB 6233 would also impede an insurer's statutory obligation to handle claims in an expeditious manner. Waiting for a signature or an insured's refusal to sign would delay the necessary repair work from commencing.

HB 6233 forces the insured to become legally liable to a vendor. HB 6233 makes a signed estimate legally binding on the signator. Insureds will be legally obligated to pay the full amount of an estimate. Legally binding a party to accept the terms of an estimate is not beneficial to the consumer. It could impact any legitimate challenges the individual has to the charges. Additionally, such a mandate could result in creating inherent conflicts between the insured and insurer resulting in unnecessary tension and discord. For example, an insurer is only required to pay reasonable charges. The insurer negotiates the rate that the insurer is willing to pay the vendor which is below the estimate signed by the insured. Because HB 6233 makes the insured legally liable

for the charges contained on the estimate, the vendor can accept payment from the insurer and seek the balance from the insured.

HB 6233 also negates the benefit of a direction to pay. An insured currently can issue a direction to pay to any vendor they want. This is usually done because the individual does not want to get involved in the process. They want the work to be performed and paid for, seamlessly without their involvement. The insured authorizes the insurer to make such payment by the use of a direction to pay. HB 6233 would mandate that the insurer "confirm" that the vendor comply with the requirements of this proposal. The insured would be drawn back into the process negating the very reason such a direction was used in the first place.

As HB 6233 also applies to commercial policies, it is even more unworkable. Who would be the appropriate designee to sign the estimate on behalf of the commercial entity? Would that person's identity have to be established prior to a loss? How would a vendor know who is the proper person to have sign the estimate? Pursuant to the provisions of HB 6233, if a janitor signs an estimate he would become personally liable for the debt of his employer. The only entity benefiting from HB 6233 is the vendor.

Finally, Section 2 of HB 6233 is confusing and unnecessary. A notice about remediation provides no benefit on the declarations page, let alone that of an automobile policy or commercial liability policy. An insured's right to choose any vendor they want is already a well established practice. There is no demonstrated demand that such a notice on the declarations page is needed or will provide any benefit to the consumer. Mandating a notice for all personal risk and commercial policies is an unnecessary cost for insurers in Connecticut that they do not face anywhere else.

The IAC urges your rejection of HB 6233.